

Message Text

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ACTION ARA-10

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TAGS ECON CO

SUBJ: PRES LOPEZ ANALYZES FIRST 100 DAYS

REF BOGOTA 9973

1. PRES LOPEZ PRESENTED LENGTHY REPORT TO COLOMBIAN CONGRESS NOV 12 IN WHICH HE EXPLAINED ADMIN'S RATIONALE IN UTILIZING EMERGENCY POWERS UNDER SECTION 122 OF CONSTITUTION. REPORT ALSO CONTAINED AN EVAL OF FIRST 100 DAYS IN OFFICE AND OUTLINE OF DEVELOPMENT STRATEGY FOR NEXT FOUR YEARS.

2. LOPEZ AGAIN REVIEWED FISCAL MONETARY SITUATION INHERITED FROM PASTRANA ADMIN. AFTER NOTING FISCAL PROBLEMS OCCASIONED BY EXPORT TAX CREDITS (CAT), WHEAT SUBSIDY AND APPROPRIATIONS WITHOUT REVENUES, LOPEZ DEVOTED CONSIDERABLE ATTENTION TO POSSIBLE THREATS TO PUBLIC ORDER STEMMING FROM NONPAYMENT OF GOVT ACCOUNTS PARTICULARLY IN THE EDUCATION SECTOR. HE MAINTAINED THAT UTILIZATION OF ARTICLE 122 THUS AVOIDED NECESSITY TO INVOKE ARTICLE 121 (EMER-
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GENCY POWERS BASED ON THREAT OF PUBLIC ORDER). HE ALSO SUGGESTED

THAT RAPID SOLUTION TO THESE PUBLIC ORDER THREATS WOULD NOT HAVE BEEN POSSIBLE EXCEPT THROUGH EMERGENCY POWERS GIVEN LIMITATIONS OF OTHER SPECIAL PROVISIONS AND NORMAL DELAYS OF LEGISLATIVE PROCESS.

COMMENT: LOPEZ' EMPHASIS ON PUBLIC ORDER CONSIDERATIONS IS NOT PARTICULARLY CONVINCING SINCE OFFICIAL PAYMENT DELAYS HAVE BEEN ALMOST ENDEMIC IN COLOMBIA AND IT IS NOT CLEAR THAT THE NEW ADMIN WILL BE ABLE TO AVOID THE SAME DIFFICULTY. IT STILL APPEARS THAT, QUOTE, AN ECONOMIC EMERGENCY, UNQUOTE WAS DECLARED IN ORDER TO ALLOW THE ADMINISTRATION A FREE HAND IN COPING WITH A NUMBER OF CHRONIC PROBLEMS. NEVERTHELESS THE EMB MUST AGREE THAT WITHOUT UTILIZING EMERGENCY POWERS, THE BADLY NEEDED REFORM PACKAGE WOULD HAVE BEEN BOTH DILUTED AND DELAYED. END COMMENT.

3. LOPEZ INDICATED THAT HIS DEVELOPMENT STRATEGY WOULD CONCENTRATE ON FOUR AREAS: EXPORTS, AGRICULTURE, REGIONAL DEVELOPMENT AND INDUSTRY. IN THE AREA OF EXPORTS HE NOTED THAT THE CAT, IN ADDITION TO ITS NEGATIVE FISCAL IMPACT HAD LED TO FRAUDULENT EXPORT CLAIMS AND EXPORTS WITH LITTLE LOCAL CONTENT. HE INSISTED THAT COLOMBIA HAS CONSIDERABLE POTENTIAL FOR EXPORT OF AGRICULTURE AND LABOR INTENSIVE PRODUCTS. OTHER THAN NOTING INCREASED LINES OF CREDIT FOR EXPORTERS AND PROMISING TO SEEK LOWER FREIGHT RATES AND IMPROVED MARKETING FACILITIES, HOWEVER, LOPEZ DID NOT INDICATE PRECISELY HOW THE GOVT WILL PROMOTE ADDITIONAL EXPORTS. IN AGRICULTURE, HIS PRINCIPAL THEME WAS THE NEED FOR HIGHER PRICES TO STIMULATE PRODUCTION BY SMALL FARMERS. HE NOTED THAT COLOMBIA WILL PROBABLY NEVER BE ABLE TO RESOLVE ADEQUATELY ITS INFLATION PROBLEMS UNTIL AGRICULTURAL PRODUCTION INCREASES TO MEET DEMAND. ONE INTERESTING SUGGESTION WAS LEASING OF LARGE TRACTS NOT PRESENTLY UNDER CULTIVATION TO FOREIGN CAPITAL. WHILE INDICATING A GOVT POLICY OF HIGHER PRICES, MORE CREDIT AND IMPROVED MARKETING, LOPEZ DID NOT OFFER SPECIFIC MEASURES TO IMPLEMENT SUCH POLICIES. HE REFERRED AGAIN TO THE NEED TO DECENTRALIZE GOVT OPS AND HOUSING CONSTRUCTION TO PROMOTE GREATER DEVELOPMENT OF SMALLER CITIES RATHER THAN THE FOUR MAJOR URBAN COMPLEXES. ONE CONCRETE STEP IN THIS AREA HAS BEEN THE RECENT ANNOUNCEMENT OF LOWER INTEREST RATES ON LOANS TO SMALL AND MEDIUM INDUSTRY IN CITIES OF 900,000 OR LESS. INDUSTRIAL POLICY WAS NOT DEFINED EXCEPT BY NOTING THAT EMPHASIS WILL BE PLACED ON POPULAR CONSUMPTION ITEMS RATHER THAN LUXURY GOODS.

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THAN LUXURY GOODS.

4. COMMENT: THE LOPEZ 100 DAY ANALYSIS AND EXPOSITION OF STRATEGY DOES NOT ADD GREATLY TO PREVIOUS INDICATIONS CONCERNING ECONOMIC POLICY. PRIVATE SECTOR SPOKESMEN QUICKLY ISSUED PUBLIC STATEMENTS PRAISING HIS ANALYSIS AND NOTING THAT THE ECONOMIC SITUATION APPEARS TO BE RETURNING TO GREATER NORMALITY. THESE PUBLIC DECLARATIONS DO NOT, HOWEVER MEAN THAT THE PRIVATE SECTOR DOES NOT STILL VIEW

THE SITUATION WITH CRITICISM AND CONCERN-ALTHOUGH THE INTENSITY OF BOTH APPEARS TO HAVE DIMINISHED CONSIDERABLY IN THE PAST TWO WEEKS. FURTHERMORE, THE LOPEZ STATEMENT DID NOT MEET PRIVATE SECTOR HOPES THAT HE WOULD INDICATE THAT MOST OF THE REFORM PROGRAM HAS NOW BEEN COMPLETED. ON THE CONTRARY, HIS GENERAL OUTLINE OF DEVELOPMENT GOALS SUGGESTS THAT MUCH REMAINS TO BE DONE EITHER THROUGH LEGISLATION OR NORMAL DECREE AND REGULATORY FACILITIES. WHILE THIS WILL PRESUMABLY INVOLVE ADDITIONAL STIMULI IN CERTAIN AREAS, IT IS ALSO LIKELY TO MEAN GREATER CONTROLS AND HIGHER PRICES. ON THE PETROLEUM QUESTION, FOR EXAMPLE, HE CAREFULLY NOTED THAT PRICES COULD NOT BE INCREASED QUOTE AT THE PRESENT TIME UNQUOTE. ACCORDINGLY, IT APPEARS THAT SOME UNCERTAINTY OVER ECONOMIC POLICIES WILL CONTINUE DURING THE IMMEDIATE FUTURE.

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